

Message Text

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44

ORIGIN ARA-20

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EB/TRD:PPILKAUSKAS (DRAFT)
EB/FTD:MSMITH (DRAFT)
EB/OF:RSIMPSON (DRAFT)
COMMERCE:RRODRIGUEZ (DRAFT)
TREASURY:JJOHNSON (DRAFT)
STR:BSTEINBOCK (DRAFT)

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FM SECSTATE WASHDC
TO AMEMBASSY SAN JOSE

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E.O. 11652: N/A
TAGS: ETRD, CR
SUBJECT: INVENTORY OF COSTA RICA TRADE PROBLEMS

1. ONE OF THE KEY AREAS OF LATIN AMERICAN CONCERN HAS BEEN THAT OF US-LATIN AMERICAN TRADE ISSUES. THIS WAS HIGHLIGHTED BY THE MEXICO CITY AND WASHINGTON FOREIGN MINISTERS' MEETINGS AND BY AMBASSADOR EBERLE'S TRADE CONSULTATION TRIP TO LATIN AMERICA. AS A FOLLOW-UP TO THE SECRETARY'S INITIATIVES IN THE TRADE FIELD, THE DEPARTMENT IS LIMITED OFFICIAL USE

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IDENTIFYING THE SIGNIFICANT COUNTRY-SPECIFIC TRADE PROBLEMS

OF THE REGION.

2. IN THIS CONNECTION, THE DEPARTMENT HAS PREPARED A PRELIMINARY INVENTORY OF SIGNIFICANT TRADE ISSUES AFFECTING COSTA RICA (SEE PARA. 3). THE ISSUES HAVE BEEN GROUPED UNDER FOUR GENERAL HEADINGS WHICH INCLUDE PROBLEMS THAT COSTA RICA HAS WITH THE US AS WELL AS PROBLEMS WE HAVE WITH THEM- THE EMBASSY IS REQUESTED TO REVIEW THE LISTING AND SUBMIT ANY ADDITIONS OR COMMENTS BY AUGUST 7.

3.A. PRINCIPAL COSTA RICAN TRADE PROBLEMS WITH THE US:

1. TEXTILES: IN INFORMAL BILATERAL TEXTILE TALKS IN JULY 1974, THE US INFORMED THE GOCR THAT UNILATERAL US RESTRAINTS IMPOSED ON TWO CATEGORIES OF COSTA RICAN TEXTILE IMPORTS WILL BE ALLOWED TO LAPSE WHEN THEY EXPIRE IN THE LATTER PART OF 1974. IT IS EXPECTED THAT FURTHER TALKS AIMED AT NEGOTIATING A BILATERAL AGREEMENT MAY BE HELD DURING THE LAST QUARTER OF THIS YEAR.

2. MEAT QUOTAS: COSTA RICA HAS INCREASED ITS EXPORT OF BEEF TO THE US SINCE THE LIFTING OF QUOTAS, AND THERE HAVE ALREADY BEEN EXPRESSIONS OF CONCERN FROM THE COSTA RICAN BEEF INDUSTRY OVER THE POSSIBLE REIMPOSITION OF US QUOTAS. COSTA RICA EXPORTED 47 MILLION POUNDS OF MEAT TO THE US IN 1973 AT AN ESTIMATED VALUE OF 37 MILLION DOLLARS.

3. SUGAR: COSTA RICA HAS BUILT UP ITS SUGAR EXPORTS IN RECENT YEARS TO ABOUT 88,000 SHORT TONS (20 MILLION DOLLARS), SOME 95 PERCENT GOING TO THE US. FEAR OF A DROP IN THE WORLD SUGAR PRICE CAUSES CONCERN OVER THE US FAILURE TO DATE TO EXTEND THE SUGAR ACT, INCLUDING ITS QUOTA PROVISIONS.

4. MUSHROOMS: UNDER PRESSURE FROM AMERICAN PRODUCERS AND THE CONGRESS, USG MAY IMPOSE MUSHROOM IMPORT RESTRAINTS. COSTA RICA, WHICH IN 1972 SUPPLIED ONLY 0.6 PERCENT OF US IMPORTS, IS QUITE CONCERNED THAT DEVELOPMENT OF ITS INFANT INDUSTRY MAY BE CURTAILED IF THE US IMPOSES RESTRICTED OFFICIAL USE

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TRAINTS.

B. PRINCIPAL US TRADE PROBLEMS WITH COSTA RICA:

1. BANANA/EXPORT TAX: COSTA RICA, IN CONCERT WITH OTHER BANANA PRODUCERS, AGREED TO IMPOSE AN EXPORT TAX ON BANANAS. THE TAX OF ONE DOLLAR PER BOX WAS PROMULGATED ON MAY 1, BUT COLLECTION HAS BEEN DEFERRED WHILE THE

GOCR HOLDS DISCUSSIONS ON TAX LEVELS WITH THE AMERICAN COMPANIES. A COMPROMISE TAX OF 25 CENTS/40-POUND BOX NOW APPEARS IN THE OFFING.

2. COFFEE: COSTA RICA IS A MEMBER OF THE NEWLY FORMED OTHER MILDS GROUP OF PRODUCERS (OSSA) WHICH AIMS TO SHORE UP PRICES FOR COFFEE EXPORTS FROM CENTRAL AMERICA AND MEXICO.

C. PRINCIPAL COSTA RICAN TRADE PROBLEMS WITH OTHER LATIN AMERICAN COUNTRIES:

BANANA EXPORT TAX: COSTA RICA HAS MADE SEVERAL REPRESENTATIONS TO ECUADOR REGARDING THAT COUNTRY'S FAILURE TO IMPOSE THE BANANA EXPORT TAX. AT THIS POINT ONLY COSTA RICA, HONDURAS, PANAMA, AND COLOMBIA HAVE AGREED TO IMPOSE A TAX, WHILE GUATEMALA AND NICARAGUA REMAIN OUTSIDE THE TAXING GROUP ALONG WITH ECUADOR.

AXING GROUP ALONG WITH ECUADOR.

D. PRINCIPAL COSTA RICAN TRADE PROBLEMS WITH NON-HEMISPHERIC COUNTRIES: NONE IDENTIFIED. KISSINGER

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